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ALSCOPE

CONSOLIDATED LTD.

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REPORT and FINANCIAL STATEMENT

SEPTEMBER 30, 1963

ALSCOPE CONSOLIDATED LTD.

549 HOWE STREET

VANCOUVER 1, B.C.

Incorporation

Incorporated under the laws of the Province of Alberta
September 27, 1954.

Capitalization

Authorized Capital (No Par Value)	10,000,000 shares
Issued	4,200,012 shares
In Treasury	5,799,988 shares

Officers

NICHOLAS MARTINI, President
V. M. PRESCOTT, Secretary

Directors

NICHOLAS MARTINI
V. M. PRESCOTT
CHARLES TROMBETTA, JR.

Auditors

DELOITTE, PLENDER, HASKINS & SELLS

Share Transfer Agents

PRUDENTIAL TRUST COMPANY LIMITED,
Edmonton, Montreal and Vancouver

LISTED ON THE CANADIAN STOCK EXCHANGE

REPORT and FINANCIAL STATEMENT

SEPTEMBER 30, 1963

PRESIDENT'S ANNUAL REPORT

October 3, 1963.

To the Shareholders of Alscope Consolidated Ltd.

During the past year there have been a number of very favorable developments in connection with your Company which will be briefly reviewed in this Annual Report for the information of our shareholders.

Highland Valley: Spatsum - Venables Creek - Basque Areas, British Columbia

Since acquiring the Highland Valley properties of Vanex Minerals Ltd. last year considerable exploration and development work with drilling has been done in the Spatsum area. The well-known firm of Chapman, Wood & Griswold Ltd., mining engineers and geologists, were engaged to supervise all mining operations of your Company.

In the latter part of 1962 a mineralized zone containing chalcopyrite and magnetite was encountered in Hole No. 5 at a depth of 331 feet. In May of this year another mineralized zone containing chalcopyrite and magnetite was encountered in Hole No. 8 at a depth of 534 feet which continued for 40 feet.

Later, in May of this year an extensive Air-Photo Geologic and Tectonic Survey was made by Chapman, Wood and Griswold of the Company's Spatsum properties. As a result of these surveys two new surface showings of copper mineralization in the Venables Creek and Basque areas were discovered.

Representative samples which have been assayed confirmed values of 2¼% copper in the Venables Creek area and 2.1% copper in the Basque area, plus significant values of other minerals.

In August of this year a third copper mineralized area was discovered at Venables Creek. A representative sample from this area assayed 1.60% copper.

Because of these discoveries your Company embarked on an extensive staking program during the latter part of May and June of this year and as a result an additional 7,350 acres were acquired by your Company in the Highland Valley along the Thompson River.

Alscope now holds more than 25,000 acres in this highly productive area of British Columbia. Approximately 16,000 acres are located in the Spatsum, Basque and Venables Creek areas on both sides of the Trans-Canada Highway and along the Thompson River. Both the Canadian Pacific Railway and the Canadian National Railway pass through our properties which have a frontage of approximately seven miles along both sides of the Trans-Canada Highway. A power line crosses our property and supplies the Bethlehem Copper properties to the east of us. The other 9,000 acres held by Alscope are in the Meadow Creek, Kentucky Lake and Lytton areas of the Highland Valley.

According to our mining engineers and geologists the two new surface discoveries of copper mineralization at Venables Creek and Basque areas contain well-developed fold structures amidst a complex of faults and fractures with highly contorted folds in the Nicola, and fracture configurations suggesting the presence of excellent structure traps for major copper deposits.

Your Company is now completing a geologic and geophysical exploration program including soil sampling, magnetometer surveys and related work to locate drilling targets in the areas of the new discoveries. We expect to start drilling in at least one of these drill targets within the next thirty days. We are also planning to accelerate our geologic and geophysical program in these areas in order to delineate additional drilling targets.

The next step would include the construction of a new campsite in the Venables Creek area, access roads, acquisition of additional drills and other equipment, plus drilling at least three additional deep tests in these areas.

The third phase of our Highland Valley program would involve the construction of a mill, mining plant, buildings and other facilities as proven ore reserves and financing arrangements warrant and permit.

Lynn Creek Properties (Vancouver, British Columbia)

During the past year additional geological and geophysical work including magnetometer surveys, were completed on the Company's Lynn Creek properties located about ten miles from the City of Vancouver. In August of this year two new surface discoveries of zinc mineralization were located. Representative samples from these two new areas assayed as follows:

Area No. 1: 30.73% zinc, 35.95% lead, 4.20 ounces of silver, .02 ounces of gold.

Area No. 2: 30.20% zinc, 1.07% lead, 1.40 ounces of silver, trace-gold.

These discoveries are in addition to others previously made in which the assays run as high as 37% zinc with significant quantities of silver.

The Ore Dressing and Metallurgical Laboratories of the Department of Mines and Resources of Canada, Ottawa, in a report on the Lynn Creek zinc properties dated September 10, 1942, concluded that: "No trouble is anticipated in the treatment of this ore and a zinc grade of 53 to 55% zinc, with a recovery of 90 to 95% readily obtained." These results were obtained from the concentrates of zinc ore from the Haynes Fork of Lynn Creek.

As a result of these favorable indications your Company authorized Chapman, Wood & Griswold to prepare an Economic Study on the Lynn Creek properties, which was completed on August 24, 1963. This study reveals that the average value of our zinc ore at Lynn Creek is 20% and not 11% as we originally believed. Based on estimated minimum reserves of only 300,000 tons and on an extractive rate of 200 tons per day, the study indicates an estimated net income of \$1,440,000.00, estimated net cash flow of \$1,940,000.00 with a full return of estimated capital outlay of \$1,200,000.00 anticipated by the fourth operating year.

The capital outlay is estimated at \$350,000.00 for pre-production costs, \$350,000.00 for plant and mill, and \$500,000.00 working capital.

Because of these developments and indications your Company has accepted the recommendations of our mining consultants and has already commenced the first step. A campsite for a crew of six men has been established to carry out hand-trenching, cleaning out of old workings, systematic sample surveying and related work. We anticipate that this work will be completed in about six weeks.

Our plans then call for further exploration and drilling, underground development, road construction and the building of a plant including mine and mill with a minimum capacity of 200 tons daily production. Negotiations for necessary financing are now in progress.

As indicated in various reports, particularly Billingsley's reports and maps and Dr. Leitch's report of 1962, both our upper and lower showings of zinc ore at Lynn Creek are quite extensive and it is believed that both areas of mineralization may be one large mineralized deposit. Based on available data and engineering reports, it is believed that we have at least a medium tonnage mine at Lynn Creek and possibly a large tonnage mine of high grade zinc ore.

The Economic Study above mentioned does not take into consideration the possibility of accessory values in silver, lead and cadmium which may add significant amounts to the average value per ton of ore. As further ore reserves are established and warrant, and necessary financing arrangements concluded, we intend to increase the capacity of the mill to 500 tons and ultimately to 1,000 tons daily production.

Lytton Properties

Last summer Alscope quietly acquired 24 claims comprising 1,200 acres at Lytton, British Columbia. These properties are located on the Thompson River and are right on the Canadian National Railway.

Our men have explored these claims and have found surface occurrences of copper. A subsidiary of Patino Mines known as Lytton Minerals Ltd. is now exploring the property immediately adjacent to the Alscope claims. We have asked our consultants, Chapman, Wood & Griswold, to make an air photo-geologic survey of these properties. Our men report that the surface showings of copper occur over a wide area. The Patino subsidiary is presently building a road and doing preliminary surface investigation.

Kentucky Lake, Highland Valley

Alscope holds approximately 2,000 acres of claims at Kentucky Lake near Aspen Grove in the Highland Valley. We have done considerable surface geological and geophysical work including trenching and magnetometer testing. An assay taken of representative ore indicates copper values of 2.05%. We have asked Chapman, Wood & Griswold to make a Photo Geologic and Tectonic Survey of these properties.

Hatton Oil and Gas Area, Saskatchewan

During the past year your Company has participated in further drill activities in the Hatton Gas and Oil Field in Saskatchewan in which Alscope owns a 25% interest in approximately 15,000 acres. In May of this year another successful gas well with high deliverability was opened. This, together with the previous well proves up a large area. We are now endeavoring to expand our interest in this area and a further announcement regarding these properties will probably be made in the near future.

United Gypsum Properties

At an extraordinary Shareholders Meeting held in Vancouver, Alscope shareholders approved the acquisition of control of United Gypsum Corporation which owns approximately 1,400 acres of gypsum deposits along the Lussier River in the Canal Flats area of southeastern British Columbia, on the basis of one Alscope share for four United Gypsum shares.

The economic geology of the United properties has been briefly described in Paper 54-7 (1964) "Canal Flats, British Columbia," by Dr. Geoffrey B. Leech of the Geological Survey of Canada as follows:

"The largest gypsum exposure is on the east bank of Lussier River one mile from Roam Creek. It forms a series of steep slopes and bluffs $\frac{1}{2}$ mile long and up to 300 feet high. The whole outcrop is gypsum rock but the purity varies. The strata are contorted but the general strike appears to be northeasterly, with a steep southeasterly dip. The gypsum is fine-grained, bedded, and characteristically in fine laminae whose thicknesses range down to a small fraction of an inch. Its colour ranges from white to dark grey, but the colour is not a guide to purity. The fabric consists of irregularly alternating lighter and darker laminae. The laminae are almost certainly sedimentary features. Stringers and lenses of coarser white gypsum are common, especially in fractures, some of which contain blebs and disseminated particles of native sulphur."

In December, 1958 a survey by Henry L. Hill, P.Eng., Vancouver consulting engineer, estimated indicated reserves of gypsum on this property at more than 100,000,000 tons and added, "the potential could be many times this amount." H. C. B. Leitch, P.Eng., who made two more recent examinations of the property has concluded that large blocks of gypsum ore could be mined with a content of 95% gypsum.

The development program already completed by United Gypsum which will be retained by Alscope as a wholly owned subsidiary, involved the driving of seven drill holes to ascertain persistence of depth and quality of the material. This program confirmed the existence of excellent grade gypsum in continuous lengths at depths of 261 feet and 297 feet. The gypsum deposits are also above ground and reach a height of 300 feet above the bed of the Lussier River.

Alscope Master Alloy Patents

During the past year Alscope was granted British Patent No. 915,693. An application for a similar patent is still pending in West Germany. Alscope already has been granted United States Patent No. 2,919,189 and Canadian Patents No. 575,873 and No. 621,586. These patents relate to the production of master alloys of refractory metals in one continuous dry process. The Company has received various inquiries regarding these patents, and every effort will be made to enter into licensing agreements for the use of the Alscope process in the manufacture of master alloys of titanium, beryllium, columbium, molybdenum, boron and others.

General

Alscope is presently equipped to carry on all of its exploratory and development work including drilling. It owns two drilling rigs, caterpillar, mobile camp unit, landrover, trucks, laboratory and related mining equipment and supplies.

Shares of Alscope Consolidated Ltd. were listed on the Canadian Stock Exchange in Montreal on April 2, 1957. With the United Gypsum acquisition there are presently 4.4 million shares issued out of a total authorized capitalization of 10 million shares.

Alscope also owns the Great Dyke which is a huge lithium deposit located near Reid Lake, Northwest Territories. This deposit was originally drilled four years ago and more than 10 million tons of 1½% lithium oxide was proved. Later examination of the lithium cores indicated the presence of beryllium.

Currently the Canadian Government is in the process of constructing a railroad from Edmonton to the Pine Point Area, Northwest Territories. In addition, a road is being constructed which will approach close to the Alscope properties which are located approximately 30 miles due east of Yellowknife.

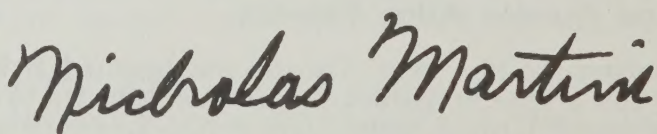
Financial Position

Alscope's financial statement as of September 30, 1963 indicates a cash balance in excess of \$100,000.00 plus approximately \$100,000.00 in receivables. There are no liabilities. All properties and equipment are owned free and clear of all indebtedness. There are no mortgages, bonds, notes or other outstanding obligations.

Conclusion

- (A) — Alscope will proceed with the immediate development of the Lynn Creek zinc properties as soon as necessary financing arrangements are completed, to place them in production at an initial rate of 200 tons daily with further expansion and increase in production as additional ore reserves are proven. All of the calculations in the Economic Study of Chapman, Wood & Griswold are based on reserves of 300,000 tons of average 20% zinc ore with no allowance for silver, lead or cadmium or other minerals which may be found. Larger quantities of zinc ore and other minerals which we expect to find will, naturally, increase the ultimate cash flow and net profits.
- (B) — The Company will proceed with the initial program of the Venables Creek and Basque areas along the Thompson River in the Highland Valley of British Columbia, including geologic mapping, magnetometer surveys and geochemical surveys, soil testing, field reconnaissance, establishment of drill targets, drilling and related work and facilities, after which an economic survey will be undertaken by the firm Chapman, Wood & Griswold Ltd.
- (C) — The Company will continue its participation in the Hatton Oil and Gas Reservation areas of Saskatchewan and will undertake immediate negotiations for the development of its new gypsum properties along the Lussier River of British Columbia.

The year 1963 has been a most satisfactory one as far as your Company is concerned. We have made considerable progress in the development of our various properties. We are looking forward to the coming year with greater confidence and expectation in reaching our ultimate goal of production and income.



Respectfully Submitted

ON BEHALF OF THE BOARD OF DIRECTORS
Nicholas Martini, President.

AUDITORS' REPORT

To the Shareholders of
Alscope Consolidated Ltd.:

We have examined the consolidated balance sheet of Alscope Consolidated Ltd. as at September 30, 1963 and the statement of preliminary and development costs—consolidated for the period, May 28, 1962 to September 30, 1963 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and statement of preliminary and development costs—consolidated, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at September 30, 1963 and the results of their operations for the period ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

October 16, 1963

DELOITTE, PLENDER, HASKINS & SELLS
Chartered Accountants

ALSCOPE CONSOL
CONSOLIDATED BALANCE SH

Assets

CASH \$ 128,137.78

RECEIVABLES:

Capital share subscriptions	\$ 90,919.34	
Account in litigation	25,600.00	
Sundry advances	1,352.92	117,872.26

PROPERTY, PLANT AND EQUIPMENT — at cost:

Interest in mineral properties:

Reid Lake	\$ 1,210,300.00	
Lynn Creek	73,564.19	
Highland Valley - Merritt	33,046.50	
Meadow Creek	38,250.00	
Spatsum	27,000.00	
Pitquah	3,600.00	1,385,760.69

Interests in oil and gas properties:

Hatton—25% Interest—Note 2	26,104.80	
Herschel—12½% interest	7,442.89	
Royalties	9,600.00	
Sask. P. & N.G. Lease	2,680.60	45,828.29

Patent No. 2,919,189	137,513.74	
Machinery and equipment	51,011.36	
Furniture and fixtures	2,582.61	1,622,696.69

DEFERRED CHARGES:

Preliminary and development costs	623,662.02	
Incorporation and organization costs	22,721.17	646,383.19
		\$ 2,515,089.92

DATED LTD.

— SEPTEMBER 30, 1963

Liabilities

CAPITAL:

Authorized—10,000,000 shares of no par value

Issued — 4,200,012 — Notes 3 and 6 3,032,242.16

DEFICIT—Properties and other assets written off—

Note 4 517,152.24

\$ 2,515,089.92

SIGNED ON BEHALF OF THE BOARD:

“NICHOLAS MARTINI”, Director

“V. M. PRESCOTT”, Director

This is the balance sheet referred to in the reports of the auditors,
Deloitte, Plender, Haskins & Sells, Chartered Accountants, dated
October 16, 1963.

ALSCOPE CONSOLIDATED LTD.
STATEMENT OF
PRELIMINARY AND DEVELOPMENT COSTS — CONSOLIDATED
September 30, 1963

	Costs May 28, 1962 To Sept. 30, 1963	Additions By Acquisition of Vanex Minerals Ltd. (N.P.L.)	Balance Sept. 30 1963
Advertising, publicity and promotion	\$ 490.73	\$ 672.68	\$ 17,308.56
Assaying	150.60	325.98	547.58
Assessment work	4,126.52	(4,637.68)	62,983.78
Auto and truck expense	1,214.99	8,425.89	9,797.53
Bank charges and interest	10.40	137.20	(1,269.51)
Commission on share sales	---	---	556.50
Drilling	8,182.06	28,067.27	41,641.43
Engineering and geological services and supplies	4,233.56	29,259.28	50,594.28
Exchange	269.81	1,670.61	(3,418.72)
Express charges	117.15	492.18	609.33
General	---	---	78.75
Insurance	844.32	3,404.96	4,425.28
Lease rentals	2,035.61	---	33,591.71
Management fees	---	6,500.00	6,500.00
Mapping and photography	1.00	262.62	721.27
Office expense	11,077.25	21,255.45	67,239.66
Payroll	14,197.97	60,456.88	86,496.79
Professional, legal and audit	1,520.50	1,764.63	32,548.32
Prospecting and preliminary surface work	2,510.11	---	20,445.01
Registrations—Security and Exchange Commission	---	---	24,748.22
Registrations—others	2,477.14	2,781.10	14,031.70
Repairs and maintenance	202.35	6,551.80	7,554.51
Supplies and food	3,487.34	18,712.24	28,561.71
Sundry income	---	---	(171.29)
Taxes	142.25	---	849.42
Telephone and telegraph	3,417.64	4,767.62	25,329.95
Travelling	7,371.34	6,138.71	64,560.25
Trenching	---	---	6,434.00
Trust company fees	1,558.08	1,516.75	20,366.00
Totals	\$ 69,638.72	\$ 198,526.17	\$ 623,662.02

ALSCOPE CONSOLIDATED LTD.

NOTES TO FINANCIAL STATEMENTS

September 30, 1963

1. Included in the attached statements are the accounts of Alscope Consolidated Ltd. and its wholly-owned subsidiaries, Magnum Holdings Ltd., and Scope Development Ltd.
2. At September 30, 1963, the company was committed to a 25% participation in the cost of drilling two gas wells on additional gas reservations acquired in the Hatton area. The total cost of this participation is not expected to exceed \$15,000.

3. Share transactions during the period were as follows:

	Shares	Amount
Issued for cash:		
Balance, May 28, 1962	722,963	\$ 735,727.35
Issued at — 25c per share	100,000	25,000.00
Issued at — 30c per share	200,000	60,000.00
Issued at — 40c per share	100,000	40,000.00
Issued at — 50c per share	100,000	50,000.00
Issued at — 75c per share	100,000	75,000.00
Balance, September 30, 1963	1,322,963	985,727.35
Issued for other than cash:		
Balance, May 28, 1962	746,844	1,778,531.66
Vanex Minerals Ltd. (N.P.L.)	2,130,205	267,983.15
Balance, September 30, 1963	2,877,049	2,046,514.81
Totals — September 30, 1963	4,200,012	\$ 3,032,242.16

At September 30, 1963 two directors of Alscope Consolidated Ltd. had options to acquire 50,000 shares each at 40c per share, such option to expire on October 1, 1964.

4. Deficit — Properties and other assets written off:

Balance, May 28, 1962		\$ 486,739.77
Additions:		
Queen Charlotte — Richfield	\$ 14,049.20	
Dunmore Claims	13,000.00	
Alex Miller — Placer leases	1,000.00	
Zebellos Claims	1,000.00	
Equipment sold or lost	1,363.27	30,412.47
Balance, September 30, 1963		\$ 517,152.24

5. At an extraordinary general meeting of shareholders of Alscope on August 27, 1962, the company approved the acquisition of all outstanding shares of Vanex Minerals Ltd. (N.P.L.) by the issuance of Alscope shares therefor on a share for share basis. On May 24, 1963, the Vanex shares so acquired were surrendered to Vanex Minerals Ltd. (N.P.L.) in exchange for all of that company's assets.
6. On August 28, 1963 Alscope obtained an option to acquire 796,894 out of a total of 1,115,022 outstanding shares of United Gypsum Corporation Ltd. on a basis of 1 share of Alscope for 4 shares of United Gypsum. This option was exercised on October 3, 1963.

This report is for the information of Alscope Shareholders only and is not a prospectus nor an offer to sell shares of Alscope Consolidated Ltd. and must not under any circumstances be used or considered for that purpose.

